FitchRatings

Banks
Private Banks
Netherlands

Van Lanschot Kempen N.V.

Ratings

Foreign Currency

Long-Term IDR	BBB+
Short-Term IDR	F2
Viability Rating	bbb+
Government Support Rating	ns

Sovereign Risk (Netherlands)

Long-Term Foreign- and Local-Currency IDRs	AAA
Country Ceiling	AAA

Outlooks

Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Foreign- and Local-Currency IDRs	Stable

Key Rating Drivers

Niche Business Profile Drives Ratings: Van Lanschot Kempen N.V.'s ratings are underpinned by its well-established, albeit niche, franchise in wealth management, asset management, and investment banking, as well as its sound asset quality and capitalisation, and a stable funding and liquidity profile. The ratings also factor in the bank's improved profit-generation capability from steadily increasing assets under management (AUM).

The Viability Rating (VR) is one notch below the 'a-' implied VR because the bank's business profile has a high influence on its rating. Van Lanschot operates with a high cost base, partly explained by its niche franchise, resulting in weaker earnings stability than of peers with larger and more diversified AUM.

Entrenched Wealth Management Franchise: Van Lanschot has a small but well-established wealth-management franchise in the Netherlands. The franchise has adequate geographic diversification, particularly in neighbouring Belgium. Van Lanschot's asset management and investment banking businesses provide moderate revenue diversification. We expect Van Lanschot's recently improved execution record and capacity to develop its franchise to gradually lead to a more resilient through-the-cycle performance.

Moderate Profitability: Van Lanschot's ability to attract AUM inflows in recent years has resulted in improvement in its profitability that, if sustained, would make it less vulnerable to cyclical performance swings. Its operating profit fell to 3.6% of risk-weighted assets (RWAs) in 2022 following a very strong 2021 (4.8%), but remains well above the 2018–2020 average of 1.8%. We expect the ratio to remain above 3% over 2023–2024, due to stronger revenue and disciplined cost management.

Moderate Risk Profile: We expect Van Lanschot to maintain a conservative risk appetite, given its focus on low-risk mortgage lending in the Netherlands. Underwriting standards for these loans are sound, consistent and based on affordability, resulting in good credit quality, which we expect to continue. Fitch expects other inherently higher-risk private banking relationship-related loans to continue to account for a low proportion of the loan book. Market and operational risks are moderate and well-managed.

Sound Asset Quality: Fitch expects Van Lanschot's credit quality to remain resilient to macroeconomic challenges, as low-risk and performing residential mortgage loans will continue to comprise the majority of the bank's loan portfolio. Its Stage 3 loans ratio fell to 1.1% by end-2022 (end-2021: 1.7%), helped by further progress on the run-off of its corporate loan book, and we expect it to remain below 1.5% in the near term, which is line with higher-rated peers'.

Strong Capitalisation: Van Lanschot's risk-weighted capital ratios are solid, with a common equity Tier 1 (CET1) ratio of 20.6% at end-2022. We expect Van Lanschot to operate with a lower CET1 ratio as operations will continue to grow and management aims to return excess capital to shareholders, although it should remain above the bank's target of at least 15%.

Stable Funding and Liquidity: Van Lanschot has some funding diversification, although it is primarily funded through its private banking customer deposits (end-2022: 84% of total funding) that have good granularity.

Deposits fell to EUR11.6 billion by end-March 2023 (by around 9% from end-2022), mostly due to clients converting savings into higher-yielding AUM, resulting in a reduction of the liquidity buffer. However, liquidity is sound, supported by a large buffer of cash and highly rated fixed-income securities that we expect to exceed 25% of assets in the short term.

Applicable Criteria

Bank Rating Criteria (September 2022)

Related Research

Fitch Revises Van Lanschot's Outlook to Positive; Affirms IDR at 'BBB+' (June 2023)

Global Economic Outlook (March 2023)

Fitch Affirms Netherlands at 'AAA'; Outlook Stable (February 2023)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

The Outlook on Van Lanschot's Long-Term Issuer Default Rating (IDR) would be revised to Stable if Fitch believes that franchise growth and profitability improvement would not be sustained. This would likely be reflected in a significant slowdown of inflows of AUM and a fall of the operating profit to below 3% of RWAs.

Fitch believes a downgrade of Van Lanschot's ratings is unlikely, as reflected in the Positive Outlook. However, the ratings would most likely be downgraded on a greater-than-expected decrease in its capitalisation, with the CET1 ratio falling to below 15% for a prolonged period. This could result from a greater risk appetite, material acquisitions, or substantial operational losses, which would also lead to a reassessment of the bank's risk profile.

A significant weakening of the bank's liquidity buffer or evidence of diminished deposit franchise strength would also be negative for the ratings.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upgrade would most likely arise from further franchise growth, in particular in wealth management with AUM inflows at similar levels to recent years, resulting in structural improvements to Van Lanschot's earnings stability and levels. We would upgrade the bank on a consistent record of operating profit of above 3% of RWAs, while maintaining its risk profile, and solid capital and liquidity buffers.

Other Debt and Issuer Ratings

Rating Level	Rating
Senior unsecured: long term/short term	BBB+/F2
Subordinated	BBB-

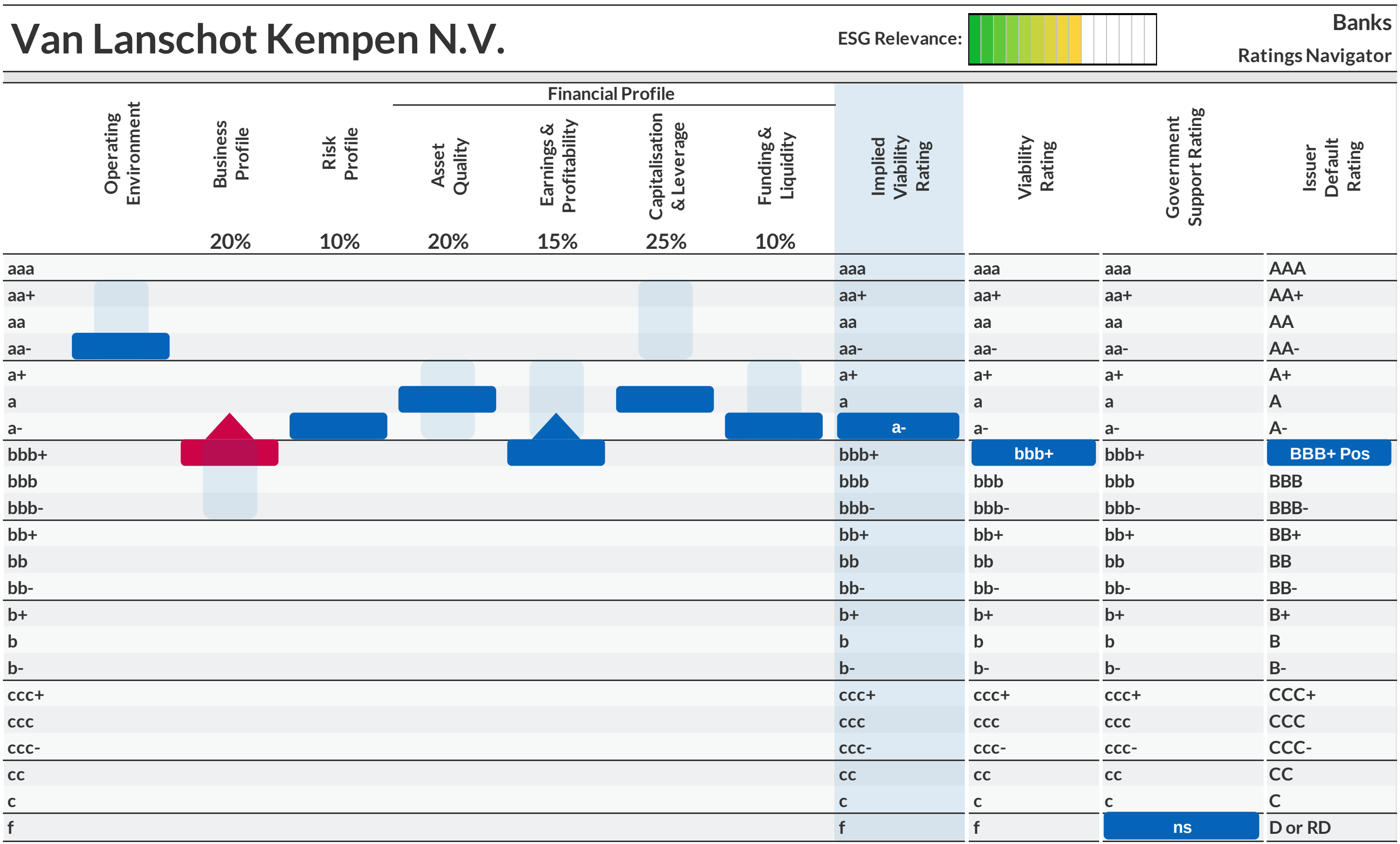
Source: Fitch Ratings

Van Lanschot's Short-Term IDR of 'F2' is the lower of the two options mapping to a 'BBB+' Long-Term IDR. This is because our 'a-' assessment of the bank's funding and liquidity is below the minimum 'a' expected for a Short-Term IDR of 'F1'.

Van Lanschot's long- and short-term senior unsecured debt ratings are at the same level as its IDRs. Fitch believes the default risk of the bank's senior unsecured debt is equivalent to the default risk implied by the IDR as senior unsecured obligations are viewed as having average recovery prospects.

The Tier 2 subordinated debt securities issued by Van Lanschot are rated two notches lower than its VR, reflecting Fitch's baseline notching for loss severity.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The earnings & profitability score of ‘bbb+’ is below the ‘a’ implied category score due to the following adjustment reason: earnings stability (negative).

The capitalisation & leverage score of ‘a’ is below the ‘aa’ implied category score due to the following adjustment reason: historical and future metrics (negative).

Company Summary and Key Qualitative Factors

Business Profile

Satisfactory Private Banking Franchise in the Netherlands

Van Lanschot has a well-established but relatively small private banking franchise in the Netherlands. It ranks fourth amongst Dutch private banks by AUM but its private banking segment lags behind that of the three largest domestic banking groups. The bank only focuses on onshore private banking, serving high-net-worth individuals and entrepreneurs. Geographical diversification is mainly through its operations in Belgium, a very fragmented market, where it is the sixth-largest independent private bank. In April 2023, Van Lanschot acquired the remaining 30% of shares of Mercier Vanderlinden, an acceleration of the initial plan to purchase the remaining shares by the end of 2025, which we believe likely reflects a positive integration process. The acquisition supports Van Lanschot's medium-term aim of becoming one of the three largest private banks by AUM in Belgium.

Van Lanschot has an adequate franchise in asset management, with about EUR67 billion AUM at end-2022, mostly in the Netherlands but with a growing contribution from the UK. This business is characterised by high volumes and low margins given the bank's focus on fiduciary management. It also has a niche positioning in investment banking, with a focus on specific sectors, including European real estate, life sciences and healthcare, financial institutions and fintech.

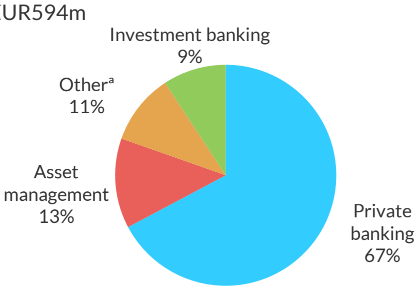
Organic and Acquisition-Driven Growth Strategy

Van Lanschot's strategy focuses on strengthening its wealth-management franchise with the ambition of becoming a leading wealth manager in the Benelux region over the next few years, with a through-the-cycle target return on CET1 capital of 12%. It plans to grow AUM significantly – both organically and inorganically – and has a good record in generating net new money organically in private banking and asset management over the past five years. It has also successfully grown AUM through bolt-on acquisitions, most recently with the acquisition of Mercier Vanderlinden and Robeco's online investment platform. The latter transaction, expected to close this summer pending regulatory approval, would boost Van Lanschot's AUM by around EUR4.7 billion.

Operating efficiency is another key focus for the bank with a medium-term cost/income target of 70% (73.1% in 2022 per Van Lanschot). The bank aims to sustain this through income growth, disciplined pricing, controlled cost increases and enhanced cross-selling across its client groups. We believe it will be challenging for the bank to achieve its cost/income target in the short term given current high cost inflation, with successful execution being dependent upon its ability to reach a larger scale and steer the AUM arm towards higher-margin assets.

Revenue by Segment

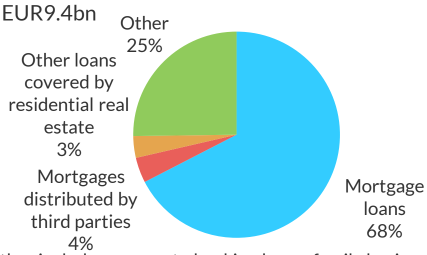
2022: EUR594m



[a] Includes group treasury and structured products
Source: Fitch Ratings, Van Lanschot

Gross Loans by Segment

2022: EUR9.4bn



Note: other includes corporate banking loans, family business and entrepreneurs, currents accounts, real estate loans, private loans and Lombard loans
Source: Fitch Ratings, Van Lanschot

Risk Profile

Fitch expects Van Lanschot's loan book to remain dominated by low-risk mortgage loans in the Netherlands (end-2022: 75% of gross loans). The majority of these loans are provided to private banking clients with an average loan size of around EUR0.6 million, higher than at most commercial banks given Van Lanschot's high-net-worth customer profile. The average loan/value ratio of the book was also higher than the commercial banks, but not significantly so, at 63% at end-2022. We view the bank's other loans – intended for clients who have placed substantial funds with Van Lanschot – as inherently riskier, but these should remain a small proportion of the loan book.

We view operational risks as inherently high in private banking business models, but we believe these risks are generally well controlled by Van Lanschot. The bank's earnings are exposed to market risk arising from structured products placed with its clients and equities trading in its investment banking business. The bank also has some appetite for investing in internally-managed funds, which is a source of valuation risk. However, we believe market risk exposures are manageable overall, appropriately mitigated with hedges, and Van Lanschot maintains generally conservative sensitivity limits.

Financial Profile

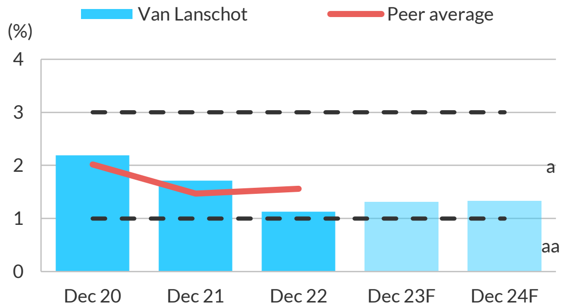
Asset Quality

Van Lanschot's impaired loans ratio of 1.1% at end-2022 (end-2022: 1.7%) reflects its low credit risk appetite. The ratio has steadily improved since 2014, mainly due to the wind-down of the non-core corporate loan book, which declined to 0.8% of gross loans by end-2022 (end-2021: 1.5%). We expect asset quality to remain sound in the medium term, bolstered by the bank's well-performing Dutch residential mortgage loans (end-2022 impaired loans ratio: 0.4%) that have marginal sensitivity to economic cycles.

Fitch expects loan impairment charges (LICs) to normalise in 2023. This reflects the weaker macro-economic outlook and Fitch's expectation of a 4%–6% decline in house prices in the Netherlands. However, we expect LICs to be low, reflecting the resilience of the Dutch economy and the bank's limited exposure to the segments and sectors most susceptible to economic and interest rate cycles. Van Lanschot reported a net reversal of loan impairments of EUR8 million in 2022 (2021: EUR12 million reversal), and we expect near-term LICs to be less than 15bp of gross loans.

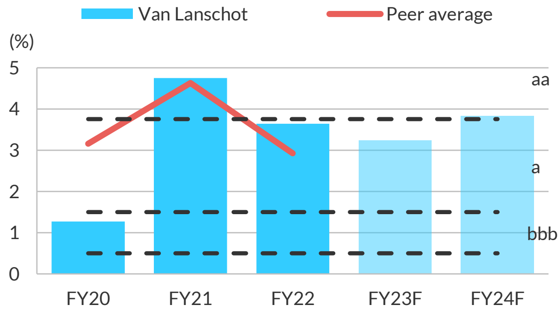
Van Lanschot's non-loan earning assets are generally low-risk. They mainly include large central bank deposits and the securities book that largely comprise short duration fixed-income securities in highly rated counterparties

Impaired Loans/Gross Loans



Source: Fitch Ratings, Fitch Solutions, Van Lanschot

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, Van Lanschot

Earnings and Profitability

Van Lanschot's consistency in attracting net new money flows into AUM as part of its capital-light strategy has resulted in improvement in profitability, which had lagged behind that of peers in the past due to its limited geographical diversification, lower scale and absence of higher-margin offshore private banking operations. Strong net new money inflows in 2022 helped to limit the effect of poor market performance on its AUM. Further inflows in 1Q23 (private banking: EUR1.3 billion; asset-management: EUR1 billion), together with improved market conditions, boosted total AUM to EUR113 billion (end-2022: EUR108 billion).

Revenue is mostly generated by the private banking business (2022: 69% of the total) and is concentrated in the Netherlands (2022: 82%). Growth in AUM has resulted in fee and commission income comprising a larger portion of revenue in recent years, averaging around 70% of revenue since 2020 compared to 57% from 2017 to 2019. The contribution of net interest income to revenue (averaging 31% over 2019–2022) is high compared with pure private banks as residential mortgage loans are a key product. We believe the bank should benefit more from higher interest rates than at most peers.

The bank continues to operate with a relatively high cost base, as reflected in its four-year average cost/income ratio of 82%, based on Fitch's calculation. However, the ratio (2022: 77%) now compares more favourably with its peer group (82%) as a result of good cost discipline helping limit the impact of high cost and wage inflation on its performance. Improvement was achieved despite growth in employee numbers, continued investments in IT and digitalisation, and integration costs from acquisitions.

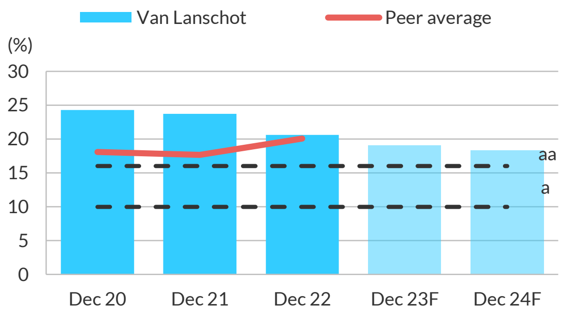
Capital and Leverage

Van Lanschot's CET1 ratio (end-2022: 20.6%) was higher than most of its private banking peers and was well above its 9.2% overall minimum CET1 requirement (excluding Pillar 2 Guidance). Van Lanschot intends to maintain its medium-term CET1 ratio above 15.0%, plus a 2.5% buffer for potential M&A, with capital in excess of 17.5% to be returned to shareholders. We believe the bank's CET1 buffer at that level would be commensurate with its moderate risk profile, and sufficient to absorb future growth.

Van Lanschot's targeted dividend pay-out ratio of 50%–70% of net income (adjusted for special items) is reasonably high, and in line with its average pay-out of about 60% since 2018. However, we do not expect it to result in any significant pressure on the bank's adequate capital base (CET1 capital of about EUR0.9 billion at end-2022).

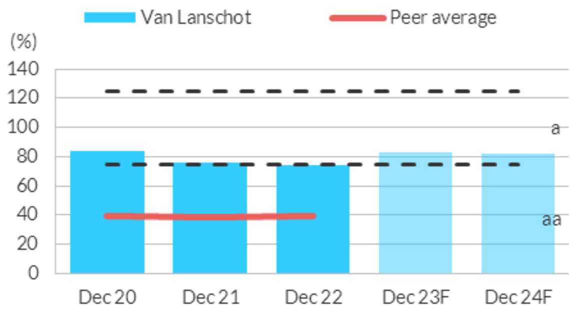
The CET1 ratio fell from 23.7% at end-2021 due to the introduction of floors on risk-weights for Dutch mortgage loans by the Dutch central bank from January 2022. The introduction has essentially brought forward part of the impact of Basel IV rules, which would otherwise have been subject to a long phase-in period, implying a significantly lower 'day-one' impact for Van Lanschot than for non-Dutch peers.

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, Van Lanschot

Gross Loans/Customer Deposits



Source: Fitch Ratings, Fitch Solutions, Van Lanschot

Funding and Liquidity

Van Lanschot's funding profile is underpinned by a large deposit base. Customer deposits accounted for 84% of non-equity funding at end-2022, with low concentration risk. Reliance on non-deposit funding was – and should remain – low, and consisted mostly of EUR1.3 billion covered bonds and EUR0.5 billion structured notes. Targeted longer-term refinancing operations funding from the ECB of EUR0.4 billion was repaid before end-2022.

Customer deposit growth had been strong since the pandemic, averaging 10% over 2020 to 2022, adding considerable liquidity to Van Lanschot's balance sheet. This trend reversed in the first quarter of 2023 as deposits fell (end-1Q23: EUR11.6 billion; end-2022: EUR12.7 billion), mostly due to clients converting savings into higher-yielding AUM investments. We expect the bank's loans/deposits ratio, which had steadily declined over the past number of years (end-2022: 74%) to be maintained above 80% in the short-term as loan and deposit growth is likely to be modest.

Liquidity is sound. The liquidity coverage (178%) and net stable funding (158%) ratios were strong at end-2022. The bank's liquidity buffer of EUR6.3 billion at end-2022 (equivalent to a high 37% of total assets) consisted of cash, central bank placements and mostly 'AAA' rated securities that covered around eight times its wholesale funding redemptions in 2023–2025. The shift of client assets to AUM has resulted in some tightening of the buffer, but we expect liquid assets to remain plentiful in the short term, at more than 25% of assets.

About Fitch Forecasts

The forecasts in the charts in this section reflect Fitch's forward view on the group's core financial metrics under Fitch's *Bank Rating Criteria*. They are based on a combination of Fitch's macro-economic forecasts, outlook at the sector level and company-specific considerations. As a result, our forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events, such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in the published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'aa' category. Light-blue columns represent Fitch's forecasts.

Peer average includes Compagnie Lombard Odier SCmA (VR: aa-), EFG International AG (a), Rothschild Martin Maurel S.C.S. (a-), Oddo BHF SCA (bbb+) and Quintet Private Bank (Europe) S.A. (bbb). The 2022 average does not include operating profit/RWAs and CET1 ratios for Rothschild Martin Maurel S.C.S.

Financials

Financial Statements

	31 Dec 22		31 Dec 21	31 Dec 20	31 Dec 19
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(EURm)	(EURm)	(EURm)	(EURm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	162	151.6	148.4	151.8	174.9
Net fees and commissions	435	407.7	386.0	296.3	290.4
Other operating income	37	35.1	64.0	-5.3	34.8
Total operating income	634	594.4	598.4	442.8	500.1
Operating costs	476	446.4	423.5	387.9	409.9
Pre-impairment operating profit	158	148.0	174.9	54.9	90.2
Loan and other impairment charges	-8	-7.7	-11.7	1.8	-12.1
Operating profit	166	155.7	186.6	53.1	102.3
Other non-operating items (net)	-39	-36.7	-8.1	1.1	17.2
Tax	37	34.7	34.7	4.4	21.1
Net income	90	84.3	143.8	49.8	98.4
Other comprehensive income	1	1.3	7.9	0.1	0.8
Fitch comprehensive income	91	85.6	151.7	49.9	99.2
Summary balance sheet					
Assets					
Gross loans	10,030	9,404.0	8,925.1	8,512.4	8,661.7
- Of which impaired	113	106.0	153.0	186.0	234.0
Loan loss allowances	43	40.0	49.5	64.1	63.8
Net loans	9,988	9,364.0	8,875.6	8,448.3	8,597.9
Interbank	115	108.2	71.3	210.6	297.6
Derivatives	586	549.6	252.9	376.7	367.3
Other securities and earning assets	3,494	3,276.1	2,800.1	3,449.5	3,233.2
Total earning assets	14,184	13,297.9	11,999.9	12,485.1	12,496.0
Cash and due from banks	3,351	3,141.8	3,714.2	2,227.8	1,417.1
Other assets	617	578.2	592.5	436.1	405.8
Total assets	18,151	17,017.9	16,306.6	15,149.0	14,318.9
Liabilities					
Customer deposits	13,574	12,726.2	11,729.6	10,141.1	9,545.1
Interbank and other short-term funding	397	372.0	100.3	91.8	141.7
Other long-term funding	1,630	1,528.1	1,991.5	2,051.7	1,718.2
Trading liabilities and derivatives	747	700.4	740.6	1,229.6	1,359.6
Total funding and derivatives	16,347	15,326.7	14,562.0	13,514.2	12,764.6
Other liabilities	329	308.8	335.3	278.7	237.7
Preference shares and hybrid capital	108	101.7	101.7	101.7	101.7
Total equity	1,366	1,280.7	1,307.6	1,254.4	1,214.9
Total liabilities and equity	18,151	17,017.9	16,306.6	15,149.0	14,318.9
Exchange rate		USD1 = EUR0.937559	USD1 = EUR0.884173	USD1 = EUR0.821963	USD1 = EUR0.89015

Source: Fitch Ratings, Fitch Solutions, Van Lanschot

Key Ratios

	31 Dec 22	31 Dec 21	31 Dec 20	31 Dec 19
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	3.6	4.8	1.3	2.4
Net interest income/average earning assets	1.2	1.2	1.2	1.4
Non-interest expense/gross revenue	77.2	74.3	90.2	84.7
Net income/average equity	6.6	11.2	4.0	7.9
Asset quality				
Impaired loans ratio	1.1	1.7	2.2	2.7
Growth in gross loans	5.4	4.9	-1.7	-0.2
Loan loss allowances/impaired loans	37.7	32.4	34.5	27.3
Loan impairment charges/average gross loans	-0.1	-0.1	0.0	-0.1
Capitalisation				
Common equity Tier 1 ratio	20.6	23.7	24.3	23.8
Tangible common equity/tangible assets	5.8	6.2	7.3	7.5
Basel leverage ratio	5.7	6.3	7.4	7.3
Net impaired loans/common equity Tier 1	7.5	11.1	11.9	17.0
Funding and liquidity				
Gross loans/customer deposits	73.9	76.1	83.9	90.7
Liquidity coverage ratio	178.3	172.0	177.4	156.9
Customer deposits/total non-equity funding	83.7	81.0	77.3	76.9
Net stable funding ratio	158.1	163.0	161.8	154.4

Source: Fitch Ratings, Fitch Solutions, Van Lanschot

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A+ to A-
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	**ns**
Government ability to support D-SIBs	
Sovereign Rating	AAA/ Stable
Size of banking system	Negative
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Negative
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.

Higher influence Moderate influence Lower influence

No Government Support

Van Lanschot's Government Support Rating of 'no support' is driven by Fitch's view that sovereign support for the bank, while possible, cannot be relied on. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a resolution framework under which it is likely that senior creditors will be required to participate in losses, if necessary, instead of or ahead of the bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Van Lanschot Kempen N.V.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Van Lanschot Kempen N.V. has 5 ESG potential rating drivers

- Van Lanschot Kempen N.V. has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.